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AN EAGLE EYE INTERVIEW WITH LOU
GLAZER OF MICHIGAN FUTURE, INC.

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A NEW AGENDA FOR A NEW MICHIGAN

An Eagle Eye Interview With Lou Glazer of Michigan Future, Inc.

By Joe DeSantis and Mary Corrado



One reason it is so hard to think truly “outside the box” when we problem-solve is that we tend to start by buying into accepted theories about what caused the problem in the first place. When it comes to Michigan’s floundering economy and apparent youthful brain drain, we assume the problem is a combination of the woes of the Big Three, an outmoded and prohibitive business tax burden, and any number of additional factors starting with lousy weather and including bad roads and no public transportation.

No one denies that the Big Three need fixing, but they will have to do that themselves. As for business taxes and lousy weather, Lou Glazer, President of Michigan Future, Inc., would tell us in no uncertain terms to

reject those assumptions. Michigan Future is a non-profit, non-partisan think tank whose mission is “to be a source of new ideas on how Michigan’s people, enterprises and communities can succeed” in the knowledge-driven economy. Mr. Glazer is the principal author of A New Agenda for a New Michigan, the organization’s seminal document. New Agenda is an assessment of the state’s demographics, education system, business environment, and civic and political leadership, along with a series of recommendations on what needs to happen to create the conditions that will lead to a turnaround in the state’s fortunes.

Lou himself feels that A New Agenda is optimistic, not pessimistic, about the future because it offers a prescription for success. But he told us his audiences are usually divided on it, and he wanted to know how we felt about it. (A fair assessment, we think, is that you can read it either way.)

Lou is a native Detroiter who grew up in

Southfield. He was Deputy Director of the Michigan Department of Commerce under Governor Jim Blanchard.

An urban planner by training and credentials, he co-founded Michigan Future, Inc., in 1991 with former state Senator Doug Ross and Dwight Carlson, an entrepreneur who founded Perceptron, Inc., in 1981. Today Perceptron is a \$16 million designer and manufacturer of information-based measurement products.

Some of A New Agenda’s conclusions are surprising if not startling. For example, according to Mr. Glazer, you don’t need low business taxes to attract to your state entrepreneurs and businesses that create jobs. Other states with higher business taxes are thriving.

educated folks, particularly young college educated folks, for some reason or other have found it cool. They are concentrated there, just as they are in Chicago and Toronto. Chicago, Minneapolis and Toronto are the three metropolitan areas in the “heartland” region that are really doing well, that are the standouts. But look at the list of highest per-capita income metro areas in the report. Of the top ten metros in per capita income, I think San Diego is the only one with warm weather. Denver and Seattle are in there too, but I don’t consider them warm weather although I guess you would have to say they are not really cold weather either. But the point is that you don’t have to be a warm-weather area to be the kind

of area that talented people want to live in.

So it is

not about low taxes or warm weather. According to Lou, it is about talent, and where talented people want to live and work. Talent is one of the important ideas in A New Agenda, which defines it as “a combination of knowledge, creativity, and entrepreneurship.” Central to the report is the notion that metropolitan areas with large concentrations of talented people thrive economically because economic activity follows talented people wherever they go.

Glazer: The report quotes Rich Karlgaard, publisher of *Forbes* magazine, who put it this way: “Best place to make a future Forbes 400 fortune? Start with this proposition: the most valuable natural resource of the 21st century is brains. Smart people tend to be mobile. Watch where they go! Because wherever they go, robust economic activity will follow.”

The traditional theory is that workers will move to where the jobs are. That was always the theory, that if you had a set of jobs, you could attract workers.

MICHIGAN FUTURE, INC.

Glazer: A New Agenda talks about an Ernst & Young study showing that Minnesota and Illinois, two Midwestern states with thriving economies that compete directly with Michigan, both have business tax burdens higher than the national average of 4.8% of private-sector GSP (Gross State Product)—Minnesota at 4.9% and Illinois at 5.3%. Michigan, for all our economic troubles, stands below the national average at 4.3%, and ranks 36th highest of the 50 states plus Washington, D.C.

You don’t have to have good weather, either.

Glazer: Bill Gates and Paul Allen started Microsoft in their home community of metropolitan Seattle, Washington—an area never known for sun and warm temperatures. Closer to home, no one will ever mistake the weather in Chicago, Minneapolis, or Toronto for the weather in Florida or Arizona, and all three of those metropolitan areas are thriving economically. People don’t generally have the sense that the Twin Cities are “cool,” but college-

But now we are beginning to see data beyond that, namely that if you are a knowledge-based enterprise, you will move to where the talent is. So there is some evidence that in a knowledge-based economy it is the other way around. Do knowledge workers move to where knowledge jobs are, or vice-versa? Now, we really don't have the definitive answer to that yet, because there is not enough data. But look at Google and Ann Arbor. The story was that it took Google months to ultimately pull the trigger on coming here, because they weren't sure if there was an adequate pipeline of talent even in Ann Arbor, and Ann Arbor was the only place in the state that they considered. So they clearly were locating primarily for talent—in other words, knowledge jobs went where knowledge workers live.

But talent is mobile. So if it is true that companies go where the talent is, then the real issue is whether you can become the kind of place where mobile talent wants to be—will mobile talent move to your region or will it move someplace else? The most mobile groups seem to be young, college-educated people without kids, and college-educated foreigners. We believe those are the two groups that, ultimately, communities are going to have to figure out how to attract. And the good news story for Michigan, in the 1990's at least, is that we were doing pretty well with college-educated immigrants. A high proportion of the immigrants who moved to Michigan in the 1990's and were hired here were college educated, which is terrific. We have to keep that going.

It is very clear to us that Seattle, Atlanta, San Diego, and probably Denver, are communities that are doing terrific now, and in each case talent started to concentrate there when their economies were not doing well. So being an attractive place for talent to live is something that you can do. I mean, I can't tell you the number of friends and relatives I have who have kids who went to Chicago after college to wait tables. They did it because they wanted to be in Chicago, and they were confident they ultimately were going to get a good job.

A New Agenda for a New Michigan argues that for the state to turn itself around, it needs to turn its back on its traditional factory economy and embrace the knowledge economy. That, of course, is a radical idea that implies, among other things, that the turnaround is not likely to happen quickly. It also requires the embrace of a different set of values about education and lifestyle. But if the state instead clings to its traditional factory economy, the picture is not a good one.

Glazer: We tend to think of the unemployment rate as the best measure



of the economic health of a state or region. But we really ought to look at per-capita income as a better measure. And if you look at it that way, Michigan hit its peak compared to the rest of the nation in 1969. We have really been in a 35-40 year general decline. It has obviously accelerated in the last 7-8 years, but the long-term story is that the country as a whole is transitioning from an industrial (i.e., factory) economy to a knowledge economy, and Michigan is still over-concentrated in the factory economy and under-concentrated in the knowledge economy. The story over the last seven years is that the decline of the old economy has accelerated, and the rise of the knowledge economy in Michigan is still very slow. The knowledge economy in Michigan since

1990 is growing half as fast as it is in the rest of the country. And remember, that knowledge economy includes all of the pre- and post-production work done by Michigan manufacturers. In other words, if you are in research and development or you work at General Motors headquarters, for example, you are part of the knowledge economy. But even with that included, the knowledge economy in Michigan is growing half as fast as the country. In the long term, that is a recipe for disaster. If we are going to be prosperous, it has to change. We believe that the only path to high prosperity is to be part of the knowledge economy. And we've concluded that the places with the largest concentration of talent from anyplace on the planet win. And Michigan is clearly struggling in that area.

The kind of change proposed by A New Agenda is pretty radical, which inevitably leads to the question of leadership. Who or what needs to happen to provide the strong leadership needed to convince people to actually turn away from an economic system and a set of cultural values that have served the state so well for nearly a century?

Glazer: There were two pillars that built middle-class America. One was good pay for low skills, and the other was long-term stable employment. Both are at the heart of middle-class Michigan. But Tom Friedman reminds us that today the world is flat, meaning that the business playing field has been leveled across the globe. The effect has been that both of those pillars are eroding if not going away entirely.

A New Agenda says that we have two options. One is we can accept these downward trends and align ourselves to those declining realities. Or, the second was, we can fight the trends. We can simply say that as a community we will reverse the trends rather than align with the trends, and if we do that there is no reason we can't look like Minneapolis or Toronto or Chicago. You know, we have a great set of assets here.

But the option I fear we are going to take is to stay aligned with the two pillars. Because, given the choice, people in Michigan, and around the



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country for that matter, would probably prefer leaders who would try to preserve the two pillars. On a human level, that is perfectly understandable. My sense is that as a state we are someplace between denial and acceptance in terms of understanding the need for a new Michigan. But if we don't get to acceptance, you can't do any of this stuff.

That is why leadership matters enormously right now. And my problem with leadership in Michigan at the moment is that we really don't have anybody, whether a public leader, a civic leader, or a business leader, who in a consistent and compelling way says to Michiganders that the factory economy is over, who is courageous enough to say that we can't preserve the two pillars. That the forces that are eroding those pillars are simply stronger than the levers that are available to us to rebuild them. No one seems willing to say that in this state right now.

When all is said and done, what matters most to a healthy economy is the concentration of talent in a region. One of the things that means is that all government really can do is "prepare the playing field"—i.e., put in place policies that encourage people to become "talented" through education and training, discourage the out-migration of talent, and attract talented people from other places to locate here. Government should not be trying to directly invest in specific industries.

Glazer: We seem to have this inherent belief that there is something that government, or the Chambers of Commerce, or Automation Alley, or Detroit Renaissance can do to sort of create enterprises and industries. But there is no evidence that you can do that—even if that is the answer, we don't know how to do it. But also, there was simply no evidence that anyone at the community level or civic level or government level in Seattle, or in the state of Washington, even knew what software was, let alone targeted it, before Bill Gates and Paul Allen decided to start Microsoft in their home community. You know, that same thing was true 100 years ago in our own community with the automobile, and look what happened! So serendipity has an enormous role in what happens

to your economy; the real question is, do you have a community where there is a greater chance that serendipity will happen here than someplace else? The notion that there is some central power that can create new industry concentrations, we just don't believe.

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The way to do it is to capitalize on your assets. And maybe the most important assets that we can build on in Michigan to position us better as a world class community in a global age are our higher ed institutions, particularly our research universities. Research universities are becoming more and more important in this global economy. We quote Bill Gates in the paper about how IT and all the growing industries are concentrating around great universities.

If policy makers could get only one thing right, that is the one thing that they should get right—ensuring a quality, agile higher education system in the long term. And so we end up recommending basically funding higher ed in two completely separate ways. One is to create a separate substantial pot of funding available at the state level to go directly to the research function that goes on in universities. That is not being done anywhere right now, but it is the research function that is driving the creation of new knowledge and new technologies, and so you want to support and grow that. So what we propose is a state match for federal research grants that come to any university. Now, in Michigan that means primarily three universities—Michigan, Michigan State, and Wayne State—but we would allow any university that gets a research grant to get those funds.

Then we say that you take all the rest of the money and just do either a foundation grant or a voucher directly

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to students—in other words, we’re saying that you fund the student rather than the institution. So that is novel, but the piece that is even more novel is this—we say give it to any student that comes here, not just in-state students. So if you come from India or from Indiana, you will get it; but it would be a loan that converts to a grant if you choose to live in Michigan after graduation. That turns it into a financial incentive.

Now, you may say that is too visionary, it will never happen in Michigan; but I think any of this stuff is possible. And I think it is particularly possible as the decline that we’re in now continues. At some point people are going to realize that doing a little less of the same, or a little more of the same, is no longer the answer. We are just not there yet. Bold ideas are not on anybody’s agenda at the moment. But at some point they will be, and we would like our bold ideas to be among the ideas that are at least debated.

What would Lou say to the HR professional in Michigan today?

Glazer: I would say this: If culture turns out to be the attribute that matters most in terms of whether communities are going to succeed or not, and if learning turns out to be the characteristic that is most important for individuals, if it is the ability to constantly reinvent yourself, then our sense is that enterprises that do well are going to have to be places that

have pipelines of talent, so that they have a combination of knowledge, creativity and entrepreneurship. So, if I am wearing the strategic HR hat in an organization, I am thinking this: How do I make my enterprise into a place where talent wants to be? To me that is the fundamental challenge for most enterprises going forward, particularly enterprises that are competing in a national or global marketplace—it is having a pipeline of talent. They are going to have to start thinking about talent the same way professional baseball does. They may not be able to have a minor league system as such, but they will have to have some kind of system for developing talent and growing their employees’ careers. In the paper we talk about this notion, that in the old economy career progression was about ladder climbing—straight up. But in the knowledge economy, you have to be more like a rock climber, where your next move may have to be sideways, or even downward, in order to move upward towards your ultimate goal. HR leaders are going to have to learn how to facilitate that kind of career development, and of course they, and all leaders for that matter, have to be rock climbers too.

To read *A New Agenda for a New Michigan*, go to: <http://www.michiganfuture.org/Reports/NewAgendaFINAL.pdf> ASE

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Otherwise the trend will continue where CEOs report their companies are turning to overseas talent, with 45 percent of those surveyed saying that they are currently offshoring, and 55 percent saying they plan to offshore in the next five years. In fact, in five years, 30 percent plan to have up to 10 percent of their workers offshore; 27 percent plan to have up to 20 percent offshore; 19 percent expect to

have up to 30 percent offshore; and 15 percent expect to have up to 40 percent offshore. Overall, 43 percent of the CEOs said it was critical or very important to look overseas for talent. This is, at best, a challenge for all North American employers, but particularly for Michigan employers as this state copes with its own outmigration of younger talent. ASE